

**ASSEMBLY BILL**

**No. 2719**

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**Introduced by Assembly Member DeVore**  
**(Coauthors: Assembly Members Bill Berryhill, Conway, Hagman,**  
**Nielsen, and Tran)**

February 19, 2010

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An act to add and repeal Sections 6245 and 6246 of the Public Resources Code, relating to oil and gas leases.

LEGISLATIVE COUNSEL'S DIGEST

AB 2719, as introduced, DeVore. Oil and gas leases: state waters.

Existing law authorizes the State Lands Commission to enter into a lease for the extraction of oil or gas from state-owned tide and submerged lands in the California Coastal Sanctuary if the commission determines that those oil and gas deposits are being drained by means of producing wells upon adjacent federal lands and if the lease is in the best interests of the state.

This bill would create, until July 1, 2011, the Interim Resources Management Board, consisting of the Secretary of the Natural Resources Agency, the Secretary for Environmental Protection, and the Controller. The bill would authorize the board to consider a lease application for the extraction of oil or gas offshore in state waters. The bill would authorize the board to approve that lease if specified terms and conditions are met.

The bill would set forth related declarations and findings.

Vote: majority. Appropriation: no. Fiscal committee: yes.  
State-mandated local program: no.

*The people of the State of California do enact as follows:*

1 SECTION 1. The Legislature finds and declares all of the  
2 following:

3 (a) Since 1994, the State Lands Commission has been prohibited  
4 by the California Coastal Sanctuary Act of 1994 (Chapter 3.4  
5 (commencing with Section 6240) of Part 1 of Division 6 of the  
6 Public Resources Code) from granting any new oil or gas leases  
7 on state-owned tide and submerged lands, unless the state's oil or  
8 gas resources are being drained from producing wells on adjacent  
9 federal lands and the commission determines that a lease is in the  
10 best interests of the state.

11 (b) Since 1994, no application for a lease has been granted under  
12 this exception by the State Lands Commission.

13 (c) The provisions of this act are necessary for the promotion  
14 of the public interest and are of statewide concern.

15 SEC. 2. Section 6245 is added to the Public Resources Code,  
16 to read:

17 6245. (a) The Interim Resources Management Board is hereby  
18 created for the limited purpose of considering an oil or gas lease  
19 application meeting the criteria set forth in Section 6246.

20 (b) The members of the board shall be the Secretary of the  
21 Natural Resources Agency, the Secretary for Environmental  
22 Protection, and the Controller. The Secretary of the Natural  
23 Resources Agency shall be the chairperson of the board.

24 (c) The board shall meet within 30 days of receipt of an oil or  
25 gas lease application. The board shall hold at least one public  
26 hearing when considering an oil or gas lease application.

27 (d) If a majority of the members of the board determine pursuant  
28 to Section 6246 that an oil or gas lease should be entered into, the  
29 chairperson of the board shall execute pursuant to Section 6246  
30 the lease on behalf of the state. Thereafter, the terms and conditions  
31 of the lease shall be administered by the commission.

32 (e) This section shall remain in effect only until July 1, 2011,  
33 and as of that date is repealed, unless a later enacted statute, that  
34 is enacted before July 1, 2011, deletes or extends that date.

35 SEC. 3. Section 6246 is added to the Public Resources Code,  
36 to read:

37 6246. (a) Notwithstanding Section 6244, within 30 days after  
38 the effective date of this section, the Interim Resources

1 Management Board shall meet in accordance with the  
2 Bagley-Kneene Open Meeting Act (Article 9 (commencing with  
3 Section 11120) of Chapter 1 of Part 1 of Division 3 of Title 2 of  
4 the Government Code) for the purpose of considering an oil or gas  
5 lease application, including the terms and conditions, filed with  
6 the commission pursuant to Section 6244 and that the board  
7 determines is in the best interests of the state.

8 (b) The Chairperson of the Interim Resources Management  
9 Board may enter into a lease on behalf of the State of California  
10 if the lease contains the following conditions that are enforceable  
11 by the Attorney General:

12 (1) The lease is for extraction of oil or gas in state waters from  
13 existing offshore facilities in state or federal waters or from existing  
14 or new onshore facilities.

15 (2) The lease shall provide for royalty payments as follows:

16 (A) For new offshore leases, royalty payments shall be 40  
17 percent of the per barrel market rate at the time of extraction or a  
18 prepayment of 20 percent of the per barrel market rate at the time  
19 a lease is accepted, with payments to be deposited in the General  
20 Fund.

21 (B) For holders of existing onshore leases, until January 1, 2012,  
22 royalty payments may be made by a prepayment at the per barrel  
23 market rate at the time of payment, with payments to be deposited  
24 in the General Fund.

25 (3) The terms and conditions of any agreement related to the  
26 lease application identified in subdivision (a) between the lessee  
27 and a nongovernmental third party shall collectively constitute a  
28 condition of any lease. The lessee shall provide a copy of any  
29 agreement to the Interim Resources Management Board as soon  
30 as feasible and the agreement shall be made public in a conspicuous  
31 location on the Natural Resources Agency's Internet Web site at  
32 least 30 days prior to the consideration of any lease pursuant to  
33 subdivision (a).

34 (4) The lease shall provide, without limitation, that the Attorney  
35 General shall enforce the terms of the lease.

36 (c) Any action to challenge Section 6245 or this section may  
37 only be filed and served within 60 days of the effective date of  
38 those sections.

39 (d) Except as provided in paragraph (4) of subdivision (b), any  
40 challenge by a person to a lease executed pursuant to this section

1 may only be filed and served within 60 days following execution  
2 of the lease and notification of its execution. The complaint or  
3 petition shall also be served within the 60-day period on the lessee  
4 as a real party in interest. Notification of the execution of the lease  
5 shall be posted on the Natural Resources Agency's Internet Web  
6 site and through a press release issued by the Natural Resources  
7 Agency.  
8 (e) This section shall remain in effect only until July 1, 2011,  
9 and as of that date is repealed, unless a later enacted statute, that  
10 is enacted before July 1, 2011, deletes or extends that date.